

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE WESTERN DISTRICT OF TEXAS  
AUSTIN DIVISION**

*In re:*

<b>METROPOLITAN WATER COMPANY, L.P.,</b>	§	Case No. 21-10903-HCM
<b>MET WATER VISTA RIDGE, L.P.,</b>	§	Case No. 21-10904-HCM
<b><i>Debtors-in-Possession.</i><sup>1</sup></b>	§	<i>(Jointly Administered under Case No. 21-10903-HCM)</i>

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<b>BLUE WATER SYSTEMS, LP and BLUE WATER VISTA RIDGE, LLC,</b>	§
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*Plaintiffs,*

*vs.*

*Adversary No. \_\_\_\_\_*

<b>METROPOLITAN WATER COMPANY, L.P. and MET WATER VISTA RIDGE, L.P.,</b>	§
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*Defendants*

*vs.*

<b>WILMINGTON TRUST, N.A., as Trustee for the Burleson/Milam Master Lease Trust, and BLUE WATER 130 PROJECT, LP,</b>	§
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**NOTICE OF REMOVAL**

TO THE HONORABLE H. CHRISTOPHER MOTT, U. S. STATES BANKRUPTCY JUDGE:

NOW COME METROPOLITAN WATER COMPANY, L.P., one of the debtors in possession in the above-styled jointly administered Chapter 11 proceedings in this Court and also one of the Defendants and the Counter-Plaintiff and Third-party Plaintiff in the State Court Action

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<sup>1</sup> The last four digits of the Debtors' federal tax identification numbers are: Metropolitan Water Company, L.P.(6172); Met Water Vista Ridge, L.P. (2308). The Debtors' mailing address is P.O. Drawer 1146, Brenham, TX 77834-1146.

described below (“Met Water”), MET WATER VISTA RIDGE, L.P., the other debtor in possession in the above-styled jointly administered Chapter 11 proceedings in this Court and also a Defendant in the State Court Action described below (“Met Water Visa Ridge”, together with Met Water jointly referred to herein as the “Met Water Parties”) hereby gives notice of removal to the United States District Court for the Western District of Texas, Austin Division, pursuant to the provisions of 28 U.S.C. §1452(a) and Rule 9027, Federal Rules of Bankruptcy Procedure, of the following civil action now pending in the 21<sup>st</sup> Judicial District Court of Washington County, Texas: Cause No. 37,412, styled *Blue Water Systems, LP, and Blue Water Vista Ridge, LLC, v. Metropolitan Water Company, L.P., and Met Water Vista Ridge, L.P., v. Wilmington Trust, N.A., as Trustee for the Burleson/Milam Master Lease Trust, and Blue Water 130 Project, LP* (the “State Court Action”). In connection with such removal, the Met Water Parties would respectfully show the Court the following:

1. The United States District Court for the Western District of Texas has jurisdiction of the subject matter of this adversary proceeding and of the subject matter of the removed State Court Action under the provisions of 28 U.S.C. §1334(b) and (e)(1). This adversary proceeding is automatically referred to the Bankruptcy Court pursuant to the provisions of 28 U.S.C. §157(a) and the District Court’s standing Order of Reference of Bankruptcy Cases and Proceedings, dated October 4, 2013.

2. Upon removal of the claims or causes of action asserted in the State Court Action, this adversary proceeding is a core proceeding within the meaning of 28 U.S.C. §157(b)(2), including without limitation subsections (A), (B), (C), (E), (K), (M) and (O) of the said Section 157(b)(2). Consequently, this proceeding may be heard and determined by the bankruptcy judge, and a final judgment may be entered herein by the bankruptcy judge, subject to review under 28

U.S.C. §158. To the extent this proceeding hereafter may be determined to be non-core, in whole or in part, the Met Water Parties hereby consent to the entry of final orders or judgment herein by the bankruptcy judge.

3. Venue is proper in the Western District of Texas under 28 U.S.C. §1409(a) because the Chapter 11 bankruptcy proceedings of the Met Water Parties, the two debtors in possession in this Court, are pending in that district. The Plaintiffs in the removed State Court Action and in this adversary proceeding are both unsecured creditors with disputed and unliquidated litigation claims in the Met Water Parties' jointly administered Chapter 11 bankruptcy cases, and both are Counter-Defendants in the State Court Action by virtue of counterclaims filed against them by Met Water.

4. In the State Court Action, both the Plaintiffs and the Defendants have asserted various state law causes of action, including but not limited to claims for breach of contract and for declaratory relief under Texas law to construe certain contractual documents to which the Plaintiffs and Defendants are parties.

5. More than Four Million Dollars (\$4,000,000.00) belonging to Metropolitan Water Company, L.P. is currently being held in the Registry of the 21<sup>st</sup> Judicial District Court of Washington County, incident to the State Court Action. These funds were interpleaded by Wilmington Trust, N.A., as Trustee for the Burleson/Milam Master Lease Trust ("Wilmington Trust"), which originally was an intervenor in the suit for the purposes of interpleading the funds. Wilmington Trust is now a Third-party Defendant. These funds represent only Met Water's share of water revenues for a finite time period from the sale of water to the City of San Antonio' Water System (the city's water utility), pursuant to a document known as the "Post-Closing Agreement", dated May 11, 2016. Under the Post-Closing Agreement and other contractual agreements between the parties having to do with the San Antonio water project, even greater amounts of money are

projected to be paid out by Wilmington Trust, N.A., as Trustee, as Met Water's share in April of each year, for many years to come, starting in April of 2022. The funds are tied up in the court registry in Washington County because the Blue Water Plaintiffs have asserted the right to offset certain claims they have made in the litigation against the Met Water Parties. The Blue Water Plaintiffs are not judgment creditors of the Met Water Parties; instead, the claims of the Blue Water Plaintiffs are hotly disputed and unliquidated claims that should be heard and determined by this Court, which has "*exclusive jurisdiction... of all the property, wherever located, of the debtor as of the commencement of such case, and of property of the estate.*" 28 U.S.C. §1334(e)(1). In the meantime, the involuntary impoundment of this large amount of Met Water's revenue is exercising dominion and control over property of the bankruptcy estate of Met Water. Nothing could be more of a "core matter" than a litigation party with an unliquidated claim exerting control over the funds of a debtor in possession, to the detriment of all of the other creditors of the debtor and its bankruptcy estate. That is the current situation in this case.

6. The facts stated in Paragraphs 4 and 5, above, demonstrate that the subject matter of the State Court Action and of this adversary proceeding constitutes a "core proceeding" under 28 U.S.C. §157(b) and is a "civil proceeding... related to [a] case under Title 11", United State Code, within the meaning of 28 U.S.C. §1334(b). The District Court (and, by reference, the Bankruptcy Court) has exclusive jurisdiction of property of the estate under 28 U.S.C. §1334(e).

7.) Being filed immediately after this Notice of Removal are copies of the docket sheet and of the live pleadings and pending motions on file in the State Court Action, as of the date this Notice is being filed in this Court.

RESPECTFULLY SUBMITTED AND FILED in the Bankruptcy Court this 9<sup>th</sup> day of December, 2021.

/s/ B. Weldon Ponder, Jr.

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**B. Weldon Ponder, Jr., Attorney at Law**  
State Bar of Texas No. 16110400  
Spicewood Professional Offices  
4408 Spicewood Springs Road  
Austin, Texas 78759  
Phone (512) 342-8222/ Fax (512) 342-8444

**HOWRY BREEN & HERMAN, L.L.P.**

By: /s/ James Hatchitt

James Hatchitt  
State Bar of Texas No. 24072478  
[jhatchitt@howrybreen.com](mailto:jhatchitt@howrybreen.com)

1900 Pearl Street  
Austin, Texas 78705-5408  
Phone (512) 474-7300  
Fax (512) 474-8557

**[Proposed Special Litigation Counsel for the  
Debtors in Possession]**

**ATTORNEYS FOR DEFENDANT/COUNTER-  
PLAINTIFF/THIRD-PARTY PLAINTIFF,  
METROPOLITAN WATER COMPANY, L.P.,  
AND DEFENDANT MET WATER VISTA  
RIDGE, L.P. (“MET WATER PARTIES”)**

**CERTIFICATE OF SERVICE**

I, B. Weldon Ponder, Jr., the attorney for Metropolitan Water Company, L.P., and Met Water Vista Ridge, L.P., hereby certify that on the 9<sup>th</sup> day of December, 2021, a true and correct copy of the foregoing Notice of Removal (including all attachments) was served upon each of the following parties or attorneys by the method indicated:

Stephen W. Sather, Subchapter V Trustee  
Barron & Newburger, PC  
7320 N. MoPac Expressway  
Greystone II, Suite 400  
Austin, TX 78731  
Served electronically through the Court's CM/ECF noticing system at  
[ssather@bn-lawyers.com](mailto:ssather@bn-lawyers.com)

Seth E. Meisel, counsel for Blue Water Systems. LP, and Blue Water Vista Ridge, LLC  
DuBois, Bryant & Campbell, LLP  
303 Colorado Street, Ste 2300  
Austin, TX 78701  
Served electronically through the Court's CM/ECF noticing system at  
[smeisel@dbcllp.com](mailto:smeisel@dbcllp.com)

Brian Talbot Cumings, counsel for H&V Holdings, Ltd., et al.  
Graves Dougherty Hearon & Moody, PC  
401 Congress Ave, Suite 2700  
Austin, TX 78701  
Served electronically through the Court's CM/ECF noticing system at  
[bcumings@gdhm.com](mailto:bcumings@gdhm.com)

Kyle Hirsch, counsel for interested party, Wilmington Trust, N.A., as Trustee for the  
Burleson/Milam Lease Master Trust  
Bryan Cave LLP  
Two North Central Avenue  
Suite 2100  
Phoenix, AZ 85004-4406  
Served electronically through the Court's CM/ECF noticing system at  
[kyle.hirsch@bryancave.com](mailto:kyle.hirsch@bryancave.com)

Tricia W. Macaluso, co-counsel for interested party, Wilmington Trust, N.A., as Trustee for the Burleson/Milam Lease Master Trust

Bryan Cave Leighton Paisner

2200 Ross Ave. Ste 3300

Dallas, TX 75201

Served electronically through the Court's CM/ECF noticing system at

[tricia.macaluso@bclplaw.com](mailto:tricia.macaluso@bclplaw.com)

Elizabeth Grace Smith, counsel for interested party, City of San Antonio acting by and through San Antonio Water System

Law Offices of Elizabeth G. Smith

6655 First Park Ten, Suite 240

San Antonio, TX 78213

Served electronically through the Court's CM/ECF noticing system at

[beth@egsmithlaw.com](mailto:beth@egsmithlaw.com)

Shane P. Tobin, Trial Attorney for the Office of the United States Trustee, Region 7

903 San Jacinto Blvd., Room 230

Austin, TX 78701

Served electronically through the Court's CM/ECF noticing system at

[shane.p.tobin@usdoj.gov](mailto:shane.p.tobin@usdoj.gov)

Catherine A. Lenox, Co-Counsel for Metropolitan Water Company, L.P., and Met Water Vista Ridge, L.P.

P.O. Box 9904

Austin, TX 78766

Served electronically through the Court's CM/ECF noticing system at

[cленox.law@gmail.com](mailto:clenox.law@gmail.com)

United States Trustee - WA12

903 San Jacinto Blvd., Suite 230

Austin, TX 78701

Served electronically through the Court's CM/ECF noticing system at

[ustpregion07.au.ecf@usdoj.gov](mailto:ustpregion07.au.ecf@usdoj.gov)

/s/ B. Weldon Ponder, Jr.

B. Weldon Ponder, Jr.